

HOW TO COMPLETE FORM EZ-5I

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INTRODUCTION

The purpose of the Enterprise Zone Act is to stimulate economic growth and neighborhood revitalization at the local level. The Virginia Enterprise Zone Program assists in business expansion and development in specially targeted areas throughout the state.

An enterprise zone is an economically distressed area of a county, city or town designated by the Governor to offer a package of state and local incentives for a period of 20 years. The incentives are designed to encourage business start-up, recruitment and expansion through state and local tax relief, local regulatory flexibility and infrastructure development.

This manual provides instructions for businesses on how to qualify for and request state tax incentives for **investment tax credits**. Any business located within the boundaries of an enterprise zone is eligible to participate in the program provided all qualification requirements are met. For more information about qualifying for local enterprise zone incentives or to determine if your business is located within the boundaries of a enterprise zone you can contact the appropriate local zone office listed in Appendix A.

PARTICIPATING IN THE VIRGINIA ENTERPRISE ZONE PROGRAM --INVESTMENT TAX CREDIT --

In order to determine if a firm qualifies for investment tax credit incentives all firms must complete **Form EZ-5I: Investment Tax Credit Qualification Form**. Instructions for completing the form are presented in this manual. Form EZ-5I can be obtained from the Virginia Department of Housing and Community Development or from the Local Enterprise Zone offices listed in Appendix A.

A business firm which qualifies for the investment tax credit must first negotiate the amount of the credit with the Department and then can claim the tax credit until the credit has been fully utilized. An application to request an investment tax credit must be submitted to DHCD no later than May 1st of the following calendar year. Completed forms must be sent by certified mail or hand delivered to the:

Virginia Department of Housing and Community Development
Community Revitalization and Development Office
501 North Second Street
Richmond, Virginia 23219-1321

If you have any questions about qualifying for state incentives or other aspects of the program, please call **(804) 371-7030**.

DEFINITIONS

Business firm means any business entity, incorporated or unincorporated, which is authorized to do business in the Commonwealth of Virginia and which is subject to State individual income tax, State corporate income tax, State franchise or license tax on gross receipts, or State bank franchise tax on net taxable capital.

1. The term "business firm" includes partnerships and small business corporations electing to be taxed under Subchapter S of the Federal Internal Revenue Code, and which are not subject to State income tax as partnerships or corporations, but the taxable income of which is passed through to and taxed as income of individual partners and shareholders.
2. The term "business firm" does not include organizations which are exempt from State income tax on all income except unrelated business taxable income as defined in the Federal Internal Revenue Code, Section 512; nor does it include homeowners associations as defined in the Federal Internal Revenue Code, Section 528.

Common control means those firms as defined by Internal Revenue Code § 52(b).

Department means the Department of Housing and Community Development.

Employee of a zone establishment means a person employed by a business firm who is on the payroll of the firm's establishment(s) within the zone. In the case of an employee who is on the payroll of two or more establishments of the firm, both inside and outside the zone, the term "employee of a zone establishment" refers only to such an employee assigned to the firm's zone establishment(s) for at least one-half of his normally scheduled work days.

Establishment means a single physical location where business is conducted and where services or industrial operations are performed.

1. A central administrative office is an establishment primarily engaged in management and general administrative functions performed centrally for other establishments of the same firm.
2. An auxiliary unit is an establishment primarily engaged in performing supporting services to other establishments of the same firm.

Independent certified public accountant means a public accountant certified and licensed by the Commonwealth of Virginia who is not an employee of the business firm seeking to qualify for State tax incentives or grants under this Program.

Large qualified zone resident means a qualified zone resident making qualified zone investments in excess of \$100 million when such qualified zone investments in excess of \$100 million when such qualified zone investments result in the creation of 200 permanent full-time positions.

Net loss applies to firms that relocate or expand operations and means that (i) after relocating into an enterprise zone, a business firm's gross permanent full-time employment is less than before

relocating into the zone; or (ii) after a business firm locates or expands within a zone, its gross permanent full-time employment at its non-zone location(s) is less than before the zone location occurred.

Permanent full-time position means a job of indefinite duration at a business firm located in an enterprise zone, requiring the employee to report for work within the enterprise zone and requiring either (i) a minimum of thirty-five hours of an employee's time a week for the entire normal year of the business firm's operations, which a normal year must consist of at least forty-eight weeks, or (ii) a minimum of thirty-five hours of an employee's time a week for a portion of the taxable year in which the employee was initially hired for, or transferred to the business firm, or (iii) a minimum of 1,680 hours per year and the standard fringe benefits are paid by the business firm for the employee. Seasonal, temporary, leased or contract labor positions, or a position created when a job function is shifted from an existing location in this Commonwealth to a business firm located within an enterprise zone shall not qualify as permanent full-time positions.

Placed in service means (i) the final certificate of occupancy has been issued by the local jurisdiction for real property improvements; or (ii) the first moment that machinery becomes operational and is used in the manufacturing of a product for consumption; or (iii) in the case of tools and equipment it means the first moment they are used in the performance of duty or service.

Qualified zone improvements means the amount properly chargeable to a capital account for improvements to rehabilitate or expand depreciable non-residential real property placed in service during the taxable year within an enterprise zone, provided that the total amount of such improvements equals or exceeds \$50,000 and is equal to the assessed value of the original facility prior to the improvements being made. It also includes the cost of any newly constructed depreciable nonresidential real property (as opposed to rehabilitation and expansion) that is at least \$250,000 with respect to a single facility.

Qualified zone improvements include expenditures associated with any exterior, structural, mechanical, or electrical improvements necessary to expand or rehabilitate a building for commercial or industrial use.

1. Qualified zone improvements **include**, but are not limited to, the costs associated with excavation, grading, paving, driveways, roads, sidewalks, landscaping or other land improvements, demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing and flashing, exterior repair, cleaning and clean-up.
2. Qualified zone improvements **do not include** (i) the cost of furnishings; (ii) any expenditure associated with appraisal, architectural, engineering and interior design fees, (iii) loan fees; points or capitalized interest; (iv) legal, accounting, realtor, sales and marketing or other professional fees; (v) closing costs, permits, user fees, zoning fees, impact fees, inspection fees; (vi) bids insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; utility hook-up or access fees; outbuildings or the cost of any well, septic, or sewer system; or (vii) cost of acquiring land or an existing building.

Qualified zone improvements **also do not include** the basis of any property: (i) for which a credit was previously granted; (ii) which was previously placed in service in Virginia by the

taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person from whom acquired, or Internal Revenue Code § 1014 (a).

3. For purposes of ***new construction*** the following costs also **cannot be included** in the calculation of qualified improvements: land, land improvements, paving, grading, driveways and interest.

Qualified zone investment means the sum of qualified zone improvements and the cost of machinery, tools and equipment used in manufacturing tangible personal property within the zone and placed in service on or after July 1, 1995. Machinery, tools, equipment, and real property that are leased through a capital lease and that are being depreciated by the lessee or that are transferred from out-of-state to a zone location by a business firm may be included as qualified zone investment. Such leased or transferred machinery, tools, equipment, and real property must be valued using the depreciable basis for federal income tax purposes. Machinery, tools, and equipment shall not include the basis of any property: (i) for which a credit was previously granted under §59.1-280.1, Code of Virginia; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person whom acquired, or Internal Revenue Code §1014 (a).

Qualified zone resident means an owner or tenant of non-residential real property located in an enterprise zone who expands or rehabilitates such real property to facilitate the conduct of a trade or business by such owner or tenant within the enterprise zone. In the case of a partnership, limited liability company or S corporation, the term "qualified zone resident" means the partnership, limited liability company or S corporation.

Related party means those as defined by Internal Revenue Code § 267(b).

Seasonal employment means any employee who normally works on a full-time basis and whose customary annual employment is less than 9 months. For example, individuals hired by a CPA firm during the tax return season in order to process returns and who work full-time over a three month period are seasonal employees.

Small qualified zone resident means any qualified zone resident other than a large qualified zone resident.

Tax due means the amount of tax liability as determined by the Department of Taxation or the State Corporation Commission.

Taxable year means the year in which the tax due on State taxable income, State taxable gross receipts or State taxable net capital is accrued.

Transferred employee means an employee of a firm in the Commonwealth that is relocated to an enterprise zone facility owned or operated by that firm.

Unit of local government means any county, city or town. Special-purpose political subdivisions, such as redevelopment and housing authorities and industrial development authorities, are not units of local government.

Zone means an Enterprise Zone declared by the Governor to be eligible for the benefits of this Program.

Zone investment tax credit means a credit provided to a qualified zone resident pursuant to §59.1-280.1 J of the Code of Virginia.

VIRGINIA ENTERPRISE ZONE PROGRAM INCENTIVES AND GUIDELINES

Virginia's Enterprise Zone Act offers three types of tax incentives and job grants to qualified businesses. Each incentive is independent of one another and have different qualifications. Applicants interested in applying for the general tax credit, real property improvement tax credit, the investment tax credit, or job grants will need to obtain the appropriate application forms and instruction manuals from DHCD or a local zone administration office in order to apply. Below is a brief explanation of each incentive.

- (1) Ten-year *general income tax credit* against a business's state tax liability in an amount up to 80% in year one and 60% in years two through ten. For businesses investing at least \$15 million and creating 50 jobs the amount of credit is subject to negotiation between the business and DHCD. Businesses qualifying **after** July 1, 1997 must have 25% of new jobs filled by low-income individuals or zone residents. Businesses qualified **prior to** July 1, 1997 must continue to have 40% of their new jobs filled by low-income individuals or zone residents.
- (2) *Real property improvement tax credit* equal to an amount of up to 30% of qualified zone improvements with a maximum amount not to exceed \$125,000 within a five-year period. Rehabilitation and expansion projects must cost at least \$50,000 or be equal to the assessed value of the real property prior to the improvements being made, whichever is greater. Qualified improvements in new construction projects must cost at least \$250,000. The credit is refundable to the extent that if the business state tax liability is less than the credit allocated, the remaining balance would be refunded.
- (3) *Investment tax credit* against a business's state tax liability for businesses investing at least \$100 million and creating 200 jobs. The percentage amount is negotiable and could be worth up to 5% of the investment. Business firms qualifying for the investment tax credit have the option of taking this incentive *in lieu* of the real property improvement tax credit.
- (4) *Job grants* for new permanent full-time positions created by business start-ups and expansions by existing firms in amounts equal to \$1,000 per zone resident and \$500 for positions filled by a non zone resident. The maximum grant to any one firm per year is \$100,000 for three consecutive calendar years commencing with the first year. Businesses may qualify for more than one three-year job grant period provided the business firm creates additional permanent full-time positions.

STATE FISCAL LIMITATIONS - INVESTMENT TAX CREDIT

Applicants may only apply for credits that they are otherwise eligible to claim during a taxable year. If requests for tax credits from large qualified zone businesses and large qualified zone residents from the \$3 million pool are exceeded, and requests from small qualified business firms and small qualified zone residents requesting tax credits from the \$16 million pool are less than \$16 million, then remaining funds from the \$16 million pool can be allocated.

In the event that taxpayer requests exceed the Commonwealth's annual fiscal limitation the taxpayer shall be granted a *pro rata* amount by DHCD. All taxpayers will be treated in the same manner when calculating the pro rata amount. Each taxpayer will receive an equitable share by dividing each taxpayer's request by the total of all taxpayer requests and multiplying the product by the fiscal limitation. The result is the actual amount of tax credit allocated to the qualified business. Any credit not useable in the taxable year claimed due to a proration cannot be carried back to a preceding taxable year. In the event that a taxpayer receives an amount pro rata for the *investment tax credit*, any unused tax credit may be applied to future years until the full amount has been utilized.

LOCAL INCENTIVES

Local governments provide a variety of local incentives to further encourage economic growth and investment in their enterprise zones. For more information on the local incentives available, contact the appropriate local zone administrator listed in Appendix A.

QUALIFICATION REQUIREMENTS-INVESTMENT TAX CREDIT

In order to qualify for the investment tax credit a business firm must meet the following requirements: **Be a tenant or owner whose place of business is located within the boundaries of an enterprise zone and make qualified zone investments in excess of \$100 million which results in the creation of at least 200 permanent full-time positions.**

Qualified zone investments are the sum of qualified zone improvements and the cost of machinery, tools and equipment used in manufacturing tangible personal property within the zone and placed in service on or after July 1, 1995. Machinery, tools, equipment, and real property that are leased through a capital lease and that are being depreciated by the lessee or that are transferred from out-of-state to a zone location by a business firm may be included as qualified zone investment. Such leased or transferred machinery, tools, equipment, and real property shall be valued using the depreciable basis for federal income tax purposes. Machinery, tools, and equipment shall not include the basis of any property: (i) for which a credit was previously granted under §59.1-280.1, Code of Virginia; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, as defined by Internal Revenue Code §267 (b) or a trade or business under common control, as defined by Internal Revenue Code §52 (b); or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person whom acquired, or Internal Revenue Code §1014 (a).

Qualified zone improvements **include**, but are not limited to, expenditures associated with any exterior, structural, mechanical, or electrical improvements necessary to expand or rehabilitate a building for commercial or industrial use as well as the costs associated with excavation, grading, paving, driveways, roads, sidewalks, landscaping or other land improvements, demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing and flashing, exterior repair, cleaning and clean up.

Qualified zone improvements **do not include** (i) the cost of furnishings; (ii) any expenditure associated with appraisal, architectural, engineering and interior design fees, (iii) loan fees; points or capitalized interest; (iv) legal, accounting, realtor, sales and marketing or other professional fees; (v) closing costs, permits, user fees, zoning fees, impact fees, inspection fees; (vi) bids insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; utility hook-up or access fees; outbuildings or the cost of any well, septic, or sewer system; or (vii) cost of acquiring land or an existing building.

Qualified zone improvements **also do not include** the basis of any property: (i) for which a credit was previously granted; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person from whom acquired, or Internal Revenue Code §1014 (a).

For purposes of *new construction* the following costs also **cannot be included** in the calculation of qualified improvements: land, land improvements, paving, grading, driveways and interest.

EMPLOYMENT RESTRICTIONS

The following positions cannot be included in the calculation of permanent full-time employment:

1. Seasonal, temporary, leased or contract-labor positions.
2. A person that was previously employed in the same job function in Virginia by a related party, or a trade or business under common control. (A person's job function that is eliminated at a non-zone location and then moved to an enterprise zone location).
3. An employee of a firm in the Commonwealth who is transferred from outside of a zone location to a zone location. In certain instances transferred employees may be included provided there is **not a net loss** in permanent full-time employment.
4. An employee whose previous job function previously qualified for a credit in connection with a different enterprise zone location on behalf of the taxpayer, a related party, or a trade or business under common control (cannot claim the same job twice).
5. An employee who was employed by an enterprise zone firm in the Commonwealth and the trade or business was purchased by another taxpayer.

GENERAL PROGRAM GUIDELINES

Timing of Zone Eligibility Period: Each enterprise zone is in effect for a period of 20 years from the date of its designation. A business firm may choose to participate in the program at any time during the existence of a zone provided qualification requirements are met.

Capital Lease vs. Operational Lease Agreements: In instances where an asset is subject to a

lease, and for federal income tax purposes the lease payments are capitalized and depreciated (a capital lease), the asset may be eligible for the investment tax credit pursuant to the Code of Virginia §§ 59.1-280.1 D in the hands of the lessee. Assuming the asset otherwise qualifies for the investment tax credit, the amount which is capitalized and subject to depreciation for federal tax purposes shall be the amount upon which the credit is based.

Where an asset is rented or leased and the lease payments are allowed to be deducted as incurred for federal income tax purposes (an operating lease), no investment tax credit will be allowed with respect to such property.

The Investment Tax Credit Only Applies to Income, Net Capital or Gross Receipts Attributable to Conduct of Business Within the Commonwealth: State tax credit applies only to taxable income; net capital; or gross premium receipts attributable to conduct of business within the Commonwealth of Virginia.

Tax Credits for Partners or Shareholders of Small Business Corporations Taxed Under Subchapter “S” of the Federal Internal Revenue Code: When a partnership or small business corporation taxed under Subchapter S of the Federal Internal Revenue Code is eligible for State income tax credits, each partner or shareholder may request the credit on their individual income tax in proportion to the amount of income received by the partner from the partnership or the shareholder from the corporation.

Limit on Government Assistance: A business firm may not use the same expense to qualify for the real property improvement tax credit under this program. Business firms qualifying for the investment tax credit have the option of taking the investment tax credit *in lieu* of the real property improvement tax credit.

Required Records: Business firms participating in this incentive should keep careful records of the qualified zone improvements and the number of new permanent full-time employees hired during the initial qualification year. These records must be kept for a period of six years for tax audit purposes.

SUBMISSION INSTRUCTIONS

Submission deadline for filing Form EZ-51

A business firm which qualifies for the investment tax credit must first negotiate the amount of the credit with the Department and then can claim the tax credit until the credit has been fully utilized. For any tax year that ends on or after January 1 and on or before December 31, applications shall be submitted to DHCD by no later than May 1 of the following calendar year. **Note:** If any of the required submittal dates fall on a weekend or holiday, the due date will be the next business day.

- (1) DHCD will review all applications for completeness and notify business firms of any errors no later than June 1. Business firms must respond to any unresolved issues no later than June 15.
- (2) DHCD will notify all applicants by June 30 as to the amount of applicable investment tax credit they may claim for the taxable year the request was made.
- (3) DHCD will certify to the Commissioner, Virginia Department of Taxation or, in the case of public service companies, to the Director of Public Service Taxation for the State Corporation Commission the applicability of the tax credits requested by the firm; and forward two copies of the certification to the firm. DHCD will also notify the firm if it fails to qualify for state tax incentives.
- (4) Any business firm which is interested in amending past tax returns must submit an application requesting the investment tax credit within three subsequent tax years immediately following the qualifying taxable year in which the firm met both the investment and job creation requirements. The amount of the investment tax credit the firm may be eligible for will depend on the outstanding credit balance remaining for the particular tax year the request was made. Amendment requests will be handled on a first-come, first-serve basis. This credit was not available prior to July 1, 1995, therefore, business firms cannot request or amend returns for tax years that began prior to July 1, 1995.
- (5) Any application submitted after the May 1 deadline will be treated as an application for amending a tax return. The amount of the real property improvement tax credit the firm may be eligible for will depend on the outstanding credit balance remaining for the particular tax year the request was made. Late submittals will be handled on a first-come, first-serve basis.

HOW TO CLAIM THE INVESTMENT TAX CREDIT

After DHCD determines a business firm has met the qualification requirements two copies of a Certificate of Qualification will be sent to the qualifying firm and should be used as follows:

1. Copy for the firm's records.
2. Copy to be filed with the state tax return and **Form 301** Enterprise Zone Tax Credit request form.

Business firms will need to fill out Virginia Tax **Form 301-Enterprise Zone Credit** to take advantage of the investment tax credit. A copy of the Certificate must be attached to the firm's state tax return along with Form 301 in order for the Department of Taxation or the State Corporation Commission to grant the credit. When a partnership or small business corporation electing to be taxed under Subchapter S of the Federal Internal Revenue Code requests a credit against State individual income tax on behalf of its partners or shareholders, **each partner or shareholder must attach a copy of form 301 and a photocopy of the firm's Certificate of Qualification to their state individual income tax return.**

PART II

HOW TO COMPLETE EZ-5I: INVESTMENT TAX CREDIT QUALIFICATION FORM

HOW TO COMPLETE EZ-5I: INVESTMENT TAX CREDIT QUALIFICATION FORM

The EZ-5I is the form used by businesses to determine if the firm meets the Program qualification requirements. Form EZ-5I **must be completed and signed** by an independent certified public accountant licensed by the Commonwealth of Virginia. The CPA signature serves as *prima facie* evidence that a business firm is qualified to receive enterprise zone incentives. The CPA cannot be an employee of the business firm seeking to qualify for state tax incentives under this Program.

The following are step-by-step instructions for completing Form EZ-5I.

PART I: BACKGROUND INFORMATION

Item 1. On the first line enter the name of the locality and zone where the business firm is located. For example: Richmond (South) or Newport News (Mid Cities).

On the second line enter the **month, day and year** the enterprise zone was designated.

On the third line enter the **month, day and year** the qualified investment was placed in service. This is the date when the final certificate of occupancy was issued by the local jurisdiction or when machinery and tools were placed in service. (See definition of "placed in service" on page 1.) **Attach a copy of the final certificate of occupancy.**

Item 2. On the first line enter the Federal employer identification number (FEIN) that is used on your Federal income tax return. On the second line second, enter the Virginia Employment Commission (VEC) identification number that you use when paying the Virginia unemployment tax on employees as required by Article 2, Chapter 5, Title 60.2, Code of Virginia.

Item 3. Enter the legal name and "trading" name of the business firm. If the trading name is the same as the legal name, indicate "same."

Item 4. Enter the business firm's enterprise zone street address.

The code number identifies the primary business activity of the business. The 4-digit code number and specific groups of business activity are listed in Appendix B.

Item 5. Enter the firm's principal mailing address. The Enterprise Zone Certificate of Qualification will be mailed to this address.

- Item 6. Enter the name of the contact person for the business firm and a daytime telephone number where the contact person can be reached to answer any questions.
- Item 7. Check the appropriate line to indicate what type of business organization is applying for state tax credits. If the "other" line is checked, indicate what type of business organization is applying.
- Item 8. Check the appropriate line to indicate the type of state tax that applies to your firm.
- Item 9. Complete this item **only** if the firm is a **subsidiary**. Enter the legal name and Federal employer identification number (FEIN) of the parent company.
- Item 10. Complete this item **only** if the firm is a **partnership** or a **small business corporation** electing to be taxed under **Subchapter S** of the Federal Internal Revenue Code. Attach a separate sheet and list the name, address and social security number, and ownership percentage of each partner or shareholder. List in the same order as on the appropriate Federal and Virginia returns: for partnerships, Schedule K-1 of Form 1065 and for S Corporations, Schedule K-1 of Form 1120S and Form 500S.
- Item 11. Check the appropriate line to indicate whether or not the firm will be requesting a general tax credit for the taxable year the investment tax credit is also being claimed.

PART II: QUALIFICATION INFORMATION

- Item 1. Enter the taxable year the firm is requesting enterprise zone tax incentives. A firm's taxable year is the same year used for Federal income tax purposes.

Item 2. Employment and Investment Test

The investment tax credit requires business firms to (1) make qualified zone investments of \$100 million **and** (2) create 200 new permanent full-time positions in order to become eligible to receive a credit. **Both requirements must be met prior to qualification.** Please complete the following

- Item 2(a). The **total** number of permanent full-time positions created.
- Enter the actual number of new permanent full-time positions created and filled by individuals at the firm's zone business after the investment agreement and **is not** calculated as an annualized average of employees.
- Item 2(b). The total number of permanent full-time positions as of the end of the firm's taxable year for which the request is made.
- The total is the actual number of permanent full-time positions filled by individuals at the firm's zone business location during the taxable year for which the request is made. Although the firm is not required to maintain the 200 permanent full-time positions after the initial qualification year, the Department would like to keep

informed about the firm's most recent employment level.

- Item 2(c). Enter the actual dollar value of qualified zone improvements, including machinery and tools, made by the business firm. If this is the initial application for qualification, attach a list that outlines the qualified zone investments made in the enterprise zone.

For example, Firm X completed a project and made \$105 million in qualified improvements, exceeding the minimum investment of \$100 million. For this example, \$105 million is entered on line (c). Also attached is a list which outlines the actual qualified improvements made to the real property located in the zone and a listing of any machinery, tools and equipment included as part of the \$105 million investment. The list must be attached to Form EZ-5I and must be **certified by the CPA** who reviewed the eligible expenses and prepared Form EZ-5I. An example of such a list follows:

Firm X located in the City of Richmond North Zone at 501 North Second Avenue, made the following qualified zone investment that was placed in service on January 22, 1996.

Real Property Improvements

Carpentry	\$ 1,300,000
Cinder blocks	\$ 1,000,000
Concrete	\$ 2,000,000
Doors	\$ 300,800
Electrical	\$ 800,000
Fire suppression systems	\$ 1,300,000
Fixtures	\$ 283,000
Painting	\$ 230,900
Sheetrock	\$ 585,300
Steel Structural Fabrication	\$ 1,000,000
Subtotal	\$ 8,800,000

Machinery, Tools and Equipment

(15) XYZ Machines	\$ 96,200,000
Total	\$105,000,000

Certified by: John Doe, CPA

- Item 3. Enter the **total** amount of the investment credit that was negotiated by the business firm and the Department.
- Item 4. Enter the **actual** tax liability attributable to the conduct of trade or business within the enterprise zone. Any business firm having taxable income from business activity both within and outside of the enterprise zone, shall allocate and apportion its taxable income attributable to the conduct of business in accordance with the procedures contained in §58.1-406 through 58.1-420 of Title 58.1 of the Code of Virginia.

PART III: DECLARATION

Item 1. Requests the name and signature by an official representative of the business firm authorized to sign on behalf of the firm.

Item 2. Requests an independent certified public accountant (CPA) licensed by the Commonwealth of Virginia to complete and sign the form. The CPA cannot be an employee of the business firm seeking to qualify for state tax incentives under this Program.

NOTE: Do not forget to obtain the proper signatures on the EZ-5I. Applications must be either hand delivered by the date specified or sent by certified mail with a return receipt requested and post marked no later than the date specified. UPS or FedEx is considered hand delivery and must be hand delivered no later than the date specified.

CHECK LIST OF ATTACHMENTS

The following attachments must accompany the EZ-5I application form:

1. Copy of the final certificate of occupancy issued by the local jurisdiction.
2. A list of the actual qualified improvements and costs of machinery and tools relative to the real property located in the zone. The list must be certified by the same CPA completing the application form.
3. If the firm is a partnership or a small business corporation electing to be taxed under Subchapter S of the Federal Internal Revenue Code, attach a separate sheet that lists the name, address and social security number of each partner or shareholder. List in the same order as listed on the appropriate Federal and Virginia returns.

APPENDIX A

APPENDIX B